



# APPRAISAL BULLETIN

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## RETAIL SALES MOVE DOWN

SEVERAL times in the last year or so we have called attention to the danger of being too optimistic on the future sales of retail outlets. We have felt that the field as a whole was being over-expanded. During periods of high prices - in a scarcity market - nearly all stores can make money. But each price decline obliterates the profits of a certain number of marginal operators.

Complete figures are not available on all types of retail stores, but the following changes in the population per store in 1939 and in 1948 are interesting. Indications are that in 1939 the population per filling station averaged 836; in 1948 the increase in the number of filling stations had brought this figure down to 546. In other words, the average station in 1939 had 836 people from which to draw revenue, while the average station in 1948 had only 546. The automotive group had an average of 3187 people per store in 1939 and only 1605 in 1948. Naturally, a great deal of expansion has been necessary and most of it will become a permanent part of our economy. There are certain types of stores in each locality that have been over-expanded, and we are trying to present whatever data we can find that may be of any guidance to our appraiser clients. A large amount of these data is fragmentary; but much more complete figures will soon be available for more thorough analysis.

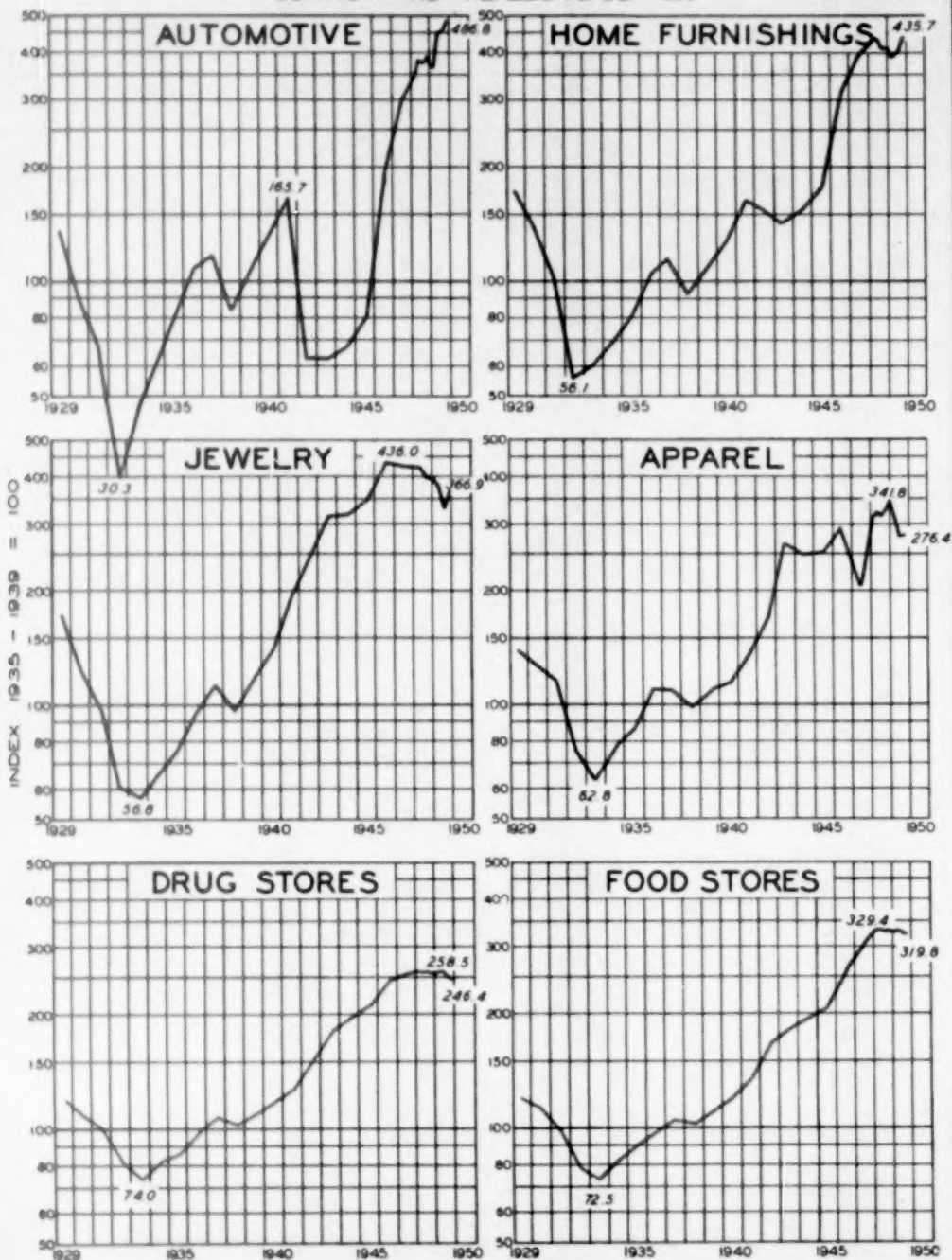
From March 1948 through March 1949 the number of retail outlets declined in 35 of our 48 States. The number of retail stores that went out of business in these 35 States during this 12-month period was at least 25,600. The reason this is a minimum figure is that the State figures simply show the net change in the number of retail outlets. In other words, if there were 50,000 retail stores that went out of business and 20,000 new ones started the net change would be a reduction of 30,000. So our figure of 25,600 means that at least that many retail stores discontinued their operation during the March 1948 to March 1949 period. Undoubtedly, there were many more than this, but they were offset by the number of new retail ventures started during the same period.

These figures do not refer to business failures. Only a small percentage of the 25,600 discontinuances actually failed. From the landlord's standpoint, however, it usually makes little difference why the retail stores go out of business. Regardless of the reason, he has lost a tenant. However, in the case of business failure, the landlord frequently loses all delinquent rent.

On pages 90 and 91 of this bulletin we show the dollar sales indexes of 12 types of retail stores from 1929 through 1949. The only types of retail sales that have not declined from their postwar peaks are automobile sales (the index includes used car and auto parts as well as new car sales) and home furnishings, including

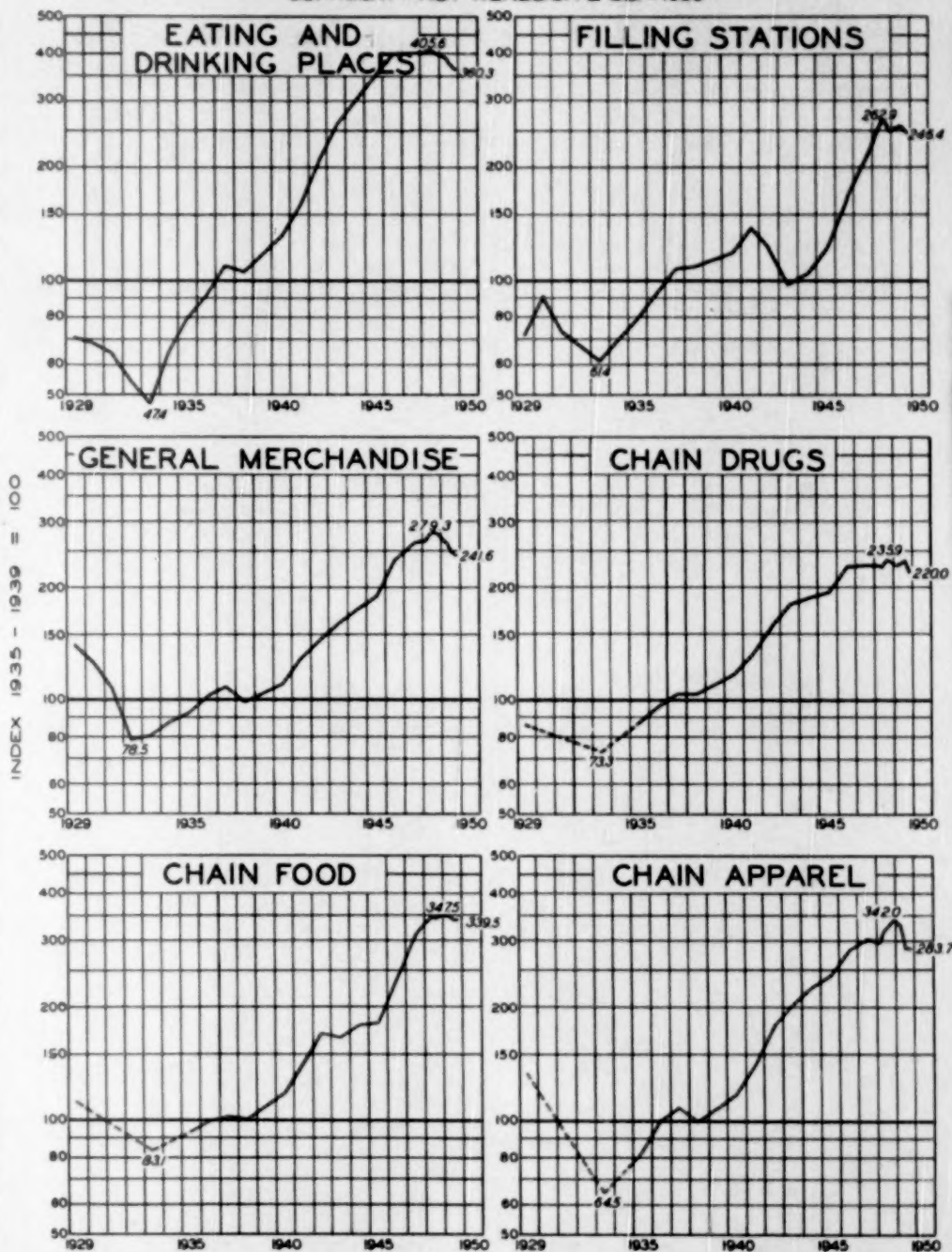
# SALES INDEX FOR SELECTED RETAIL OUTLETS

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furniture and household appliances. The other major retail groups have dropped from 2.3% in the case of chain food stores to 19% in the case of apparel stores.

Notice that chain drug sales are off 7% from their postwar peak while all drug stores show a decline of only 4-1/2%. Apparently independents are just about maintaining their peak sales level while the chains are slumping slightly.

Other declines have been jewelry stores, down 16% from 1946 peak; food stores, including bakeries, groceries, delicatessens and confectioneries, down 3-1/2%; eating and drinking places, down 11% from April 1948 peak; filling stations, down 6-1/2%; general merchandise group, down 13% from July 1948 peak; and the chain apparel group, down 17% from its October 1948 peak.

These charts cannot be used to pinpoint estimates of future income of individual stores. They do form a basis of comparison - a backdrop against which the appraiser can view the past and possible future performance of the store he is evaluating.